

## Meeting Summary

The following is a summary of issues discussed at the DHCD Stat Meeting on, February 27, 2014. Analysis is provided by StateStat.

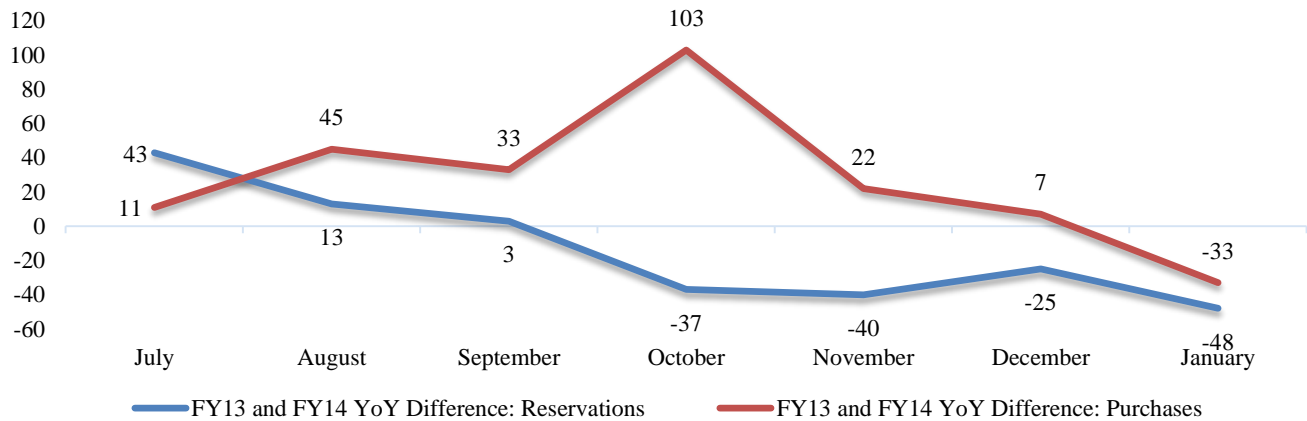
### Maryland Mortgage Program

- **Maryland Mortgage Program to Launch in March.** The Maryland Mortgage Program is a mortgage assistance program that provides low-to-moderate income families and first time homebuyers low interest loan options that can be paired with down payment assistance grants and loans. DHCD is in the process of expanding advertising, outreach, and business development with its partners. By the end of CY2014 DHCD aims to increase the annual production of MPP mortgage loans by 60 percent to 2,300 mortgages and increase the mortgage market share from four percent to six and a half percent and DHCD plans to double the number of loans by the end of 2015. A key component of these efforts is the launch of the new MPP website which is slated to go live the first week of March 2014. The new website is borrower focused and provides easier access and navigation to information potential homebuyers need.

The MMP has shown increases in loans purchased from FY10 to FY13 and FY14 to date is on pace for another year of increases. Though purchases are up in FY14, reservations have declined. Comparing the July through January period, reservations in FY14 (1,026) are down by 91 compared to FY13 (1,117), while purchases during the same period were up 188. A similar trend occurred for down payment assistance loans with down payment program reservations declining in FY14, down 108 from the same period in FY13, while purchases increased year over year by 200. DHCD speculates that the effective increase in the percentage of applications being purchased could be due largely to the increase in loan pull-through rates.



## MMP Reservations and Purchases Year over Year Difference



### 18 Month Plan

- DHCD Submitted an Update For Their 18 Month Plan, Some Goals Modified.** At the request of StateStat, DHCD submitted their second progress update for their 18 month plan, the previous update was submitted in October. The update provides information on the progress to date for items planned to be completed in CY2014 and whether or not the agency is on track to achieve the goals. Notable items from their update are as follows:

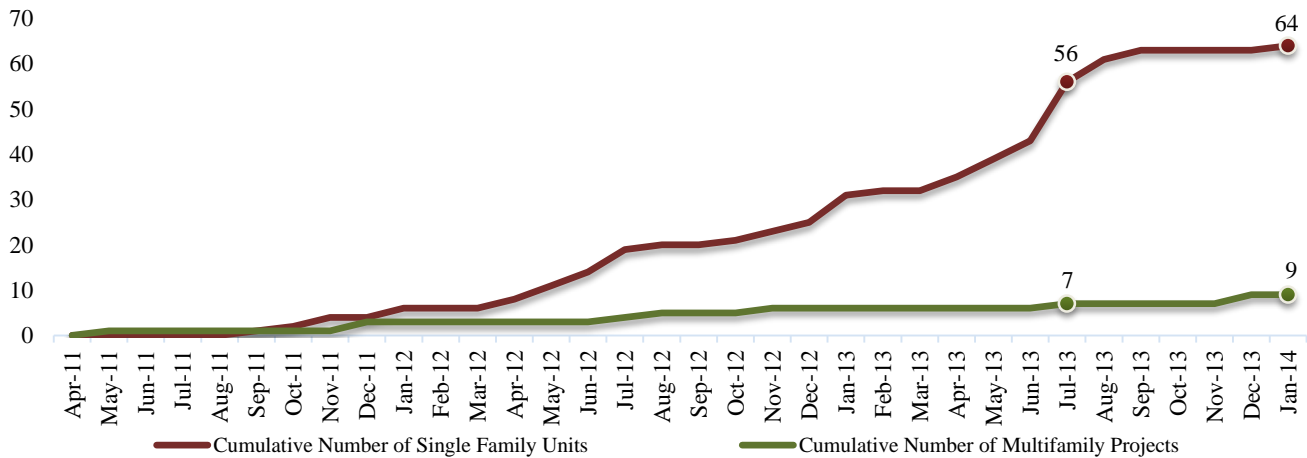
DHCD 18 Month Plan Items
HOUSING MARYLAND (STATEWIDE HOUSING PLAN)
AGENCY RELOCATION PLANNING
EXPAND THE MARYLAND MORTGAGE PROGRAM
HELP SUSTAIN RESPONSIBLE MARYLAND HOMEOWNERS
INCREASE AFFORDABLE RENTAL HOUSING DEVELOPMENT
CREATE DEDICATED SOURCE OF FUNDS FOR REVITALIZATION
SUSTAINABLE COMMUNITIES
HURRICANE SANDY RECOVERY
NEW MARKETS TAX CREDIT PROGRAM
MAIN STREET MARYLAND PROGRAM
BETTER BUILDINGS (EECBG) / MARYLAND Be SMART PROGRAM
EMPOWER LOW INCOME ENERGY EFFICIENCY PROGRAM
CUSTOMER INVESTMENT FUNDING (CIF) PROGRAMS
MEET CURRENT AND FUTURE DEMAND FOR HOUSING COUNSELING

- Agency Relocation and Planning.** The ground breaking for the new DHCD location in New Carrollton is scheduled for March 17, 2014. The anticipated construction period has been shortened and the potential move date may occur earlier than expected, March-April 2015. A collaborative design session with DGS

and the developer was held on January 29<sup>th</sup> to review LEED criteria to address requirements related to achieving a LEED rating. DHCD reports they are on track to achieve at minimum a LEED Silver rating.

- **55 Designated Sustainable Communities.** Sustainable Communities is a place-based community revitalization designation offering a comprehensive package of resources in order to increase economic, transportation and housing choices, and improve environmental quality and health outcomes. Municipal and county governments interested in applying must identify local areas in need of revitalization and create a comprehensive revitalization strategy. In the 18 month plan, DHCD estimated the final total of sustainable communities to be around 60. As of February 27, 64 communities have received the Sustainable Community designation, with 15 applications in the review process. On February 4<sup>th</sup>, an application round closed and applications will be reviewed in the coming months, and there are two more rounds for applicants in CY2014.
- **New Markets Tax Credit Program Research Progresses Slowed, Legislation Will Not Be Pursued.** DHCD reports the potential legislation related to the New Markets Tax Program (NMTP) has been shelved and the research project has been slowed due to the higher priority status of other projects the agency is working on. DHCD reported NMTCs are being used across the state already and sustainable communities are usually awarded the credit. In most cases if an area is awarded the sustainable community credit it will most likely be awarded the NMTC, a fact that limits any added benefit of a state program tying a credit to the federal NMTC.
- **Energy Efficiency and Conservation Block Grant/Be Smart Extended to 4Q2014.** The Be Smart program funded through the United States Department of Energy's (DOE) Better Buildings initiative was scheduled for completion in Q3 CY2014 but has been extended to November 1, 2014. The program is funded through a \$20 Million Energy Efficiency and Conservation Block Grant (EECBG) from the DOE with the purpose of providing accessible, affordable financing for energy efficiency improvements to residences and businesses. DHCD's Be Smart overarching goals are to improve energy efficiency of existing buildings in Maryland, increase awareness of the value of energy conservation, and generate demand for efficiency improvements. Be Smart original output goals include, completing 720 residential (single family) retrofits, 1,000 affordable multifamily unit retrofits, and 2.7 million square feet of upgraded commercial space. As of January 2014 DHCD \$20.3 Million for Be Smart has been encumbered. While the full amount of funding has been encumbered, the number of single family units retrofitted (64) is far below the goal of 720 and it is unclear what the progress is on multifamily units and commercial space square footage. Progress on single family units has stalled in FY2014 with only eight units retrofitted in the last seven months. Gradual progress on multifamily projects has continued with two projects completed in FY2014. DHCD reported that some goals may have been adjusted since the original goals were provided to StateStat. The funding has been used for a number of smaller, pilot programs throughout the state in addition to transferring \$1 million to MEA for agricultural facility retrofits that would contribute to the commercial space goal. DHCD will be reporting additional metrics at the next stat meeting giving a full picture of the Be Smart program progress.

## EECBG Projects Retrofitted

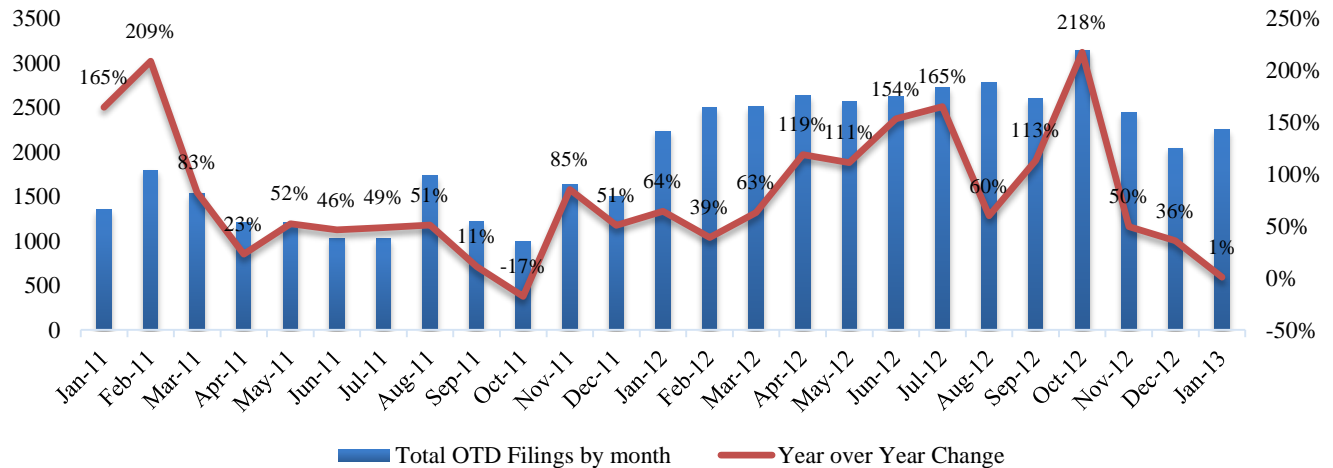


## Foreclosures/Housing Market

- Foreclosure Rates Remain High While Other Housing Market Indicators Remain Strong.** Maryland's foreclosure rate declined in January to 18.4 and the state dropped from second in the nation to third in foreclosure rates. Though foreclosure activity declined in January, the State posted the 19<sup>th</sup> consecutive month of year-over-year increases. Notices of default increased year-over-year for the 15<sup>th</sup> consecutive month and year-over-year foreclosure sales increased for the 27<sup>th</sup> consecutive month. Orders to docket remained elevated in January at 2,258 however this was only a one percent increase year-over-year, nearly ending the fourteen month streak of year over year increases. Orders to docket are anticipated to be slightly lower this year compared to 2013 slightly slowing the timeline for clearing the backlog. While foreclosures have been elevated, the decline in the number of late stage delinquencies in Maryland dropped the most out of any other state in 2013. DHCD continues to implement the HOPE program and foreclosure prevention events helping to equip households, who can prevent foreclosure, with the resources and knowledge to do so.

Home sales prices continued the 24 month trend of year-over-year increases, and average days on the market declined year-over year for the 23<sup>rd</sup> consecutive month to 79 days. January was also the 15<sup>th</sup> consecutive month that seasonally adjusted supply of homes for sale was below six months. The days on market and supply suggest a tight housing market, favoring sellers. This combined with the continued year over year increased in home sale price suggest lenders will continue to unload the backlog of delinquent loans.

## Orders to Docket



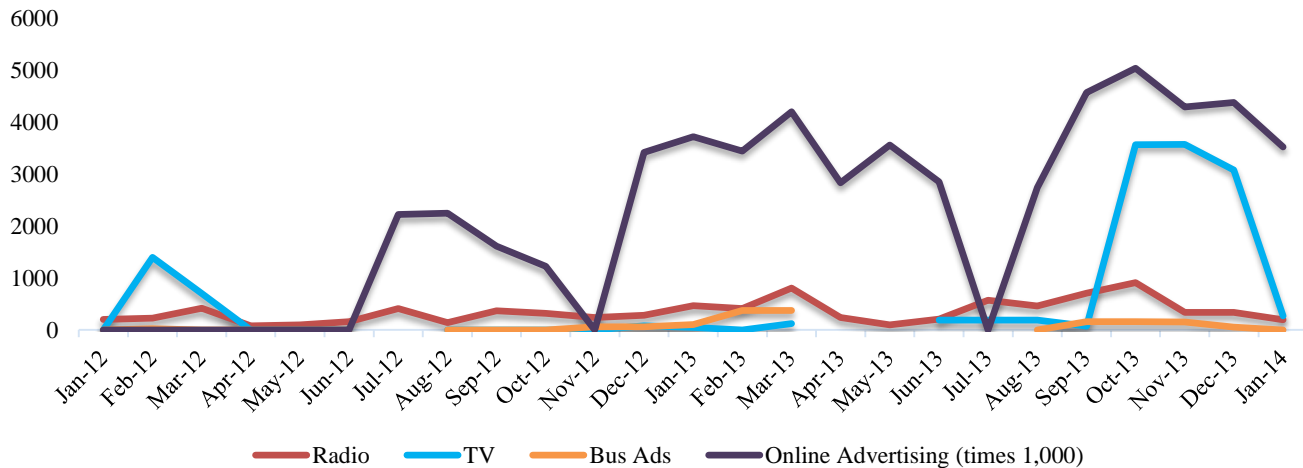
- HOPE Marketing Campaign and Outreach Slows, Intensive Analysis of HOPE and Outreach Program Participation Underway.** Over the last four months of 2013, DHCD implemented an intensive advertising campaign for the Home Owners Preserving Equity (HOPE) Program. After four months of increased radio, TV, online and print advertisements it became clear the campaign was not translating into a meaningful increase in callers eligible for the HOPE program. In January the number of advertisements declined to the pre-surge levels as DHCD suspended the campaign.

DHCD reported they are carrying out new digital marketing tests (Google Ads), helping to identify new message options through statistical analysis of response rates. Results will be available within a few weeks, and will be incorporated into creative development for new campaigns targeted at more granular audience segments in Q2 CY2014.

A thorough review of the MD HOPE website has been initiated, with the intention of refreshing the content prior to new marketing activities being launched. DHCD plans to streamline and update content to make it easier for visitors to get what they need in response to marketing activities.

DHCD is also increasing their branding efforts through outreach. The agency has been reaching out to tax preparers and businesses where brochure racks and posters can be placed promoting HOPE. With the help of the Governor's Office of Interagency Digital Engagement, outreach materials will also be distributed to the health exchange fairs going on around the state over the first two weeks of March.

## HOPE Advertising



### Low Income Energy Efficiency Programs

- LIEEP Single Family Progress Continues, Two Million in Funding Remains Unallocated, Potomac Edison and Delmarva Lagging.** LIEEP is a program for single family housing that helps low income households with installation of energy conservation materials in their homes at no charge. DHCD recently released the EmPower Semi-Annual Report covering both LIEEP and MEEHA. In CY2013 LIEEP had a total of 2,940 participants and produced energy savings of 15,684 MWh, this is 10,126 MWhs higher than originally estimated. In December, DHCD reported they will be revising the completed units goal as well as the energy savings goal for the program and that the units completed goal will most likely be reduced and the energy saving goal increased. The semi-annual report states GDS & Associates Inc. analyzed program participation and provided a revised quarterly estimate of participation provided in the chart below. PSC has not formally approved the revised units goal and no request for the revised energy savings goal has been submitted.

**Revised Quarterly LIEEP Participation Estimates**

Utility	Quarterly Participation
BGE	629
PE	83
PEPCO	120
Delmarva	57
SMECO	38
Total	927

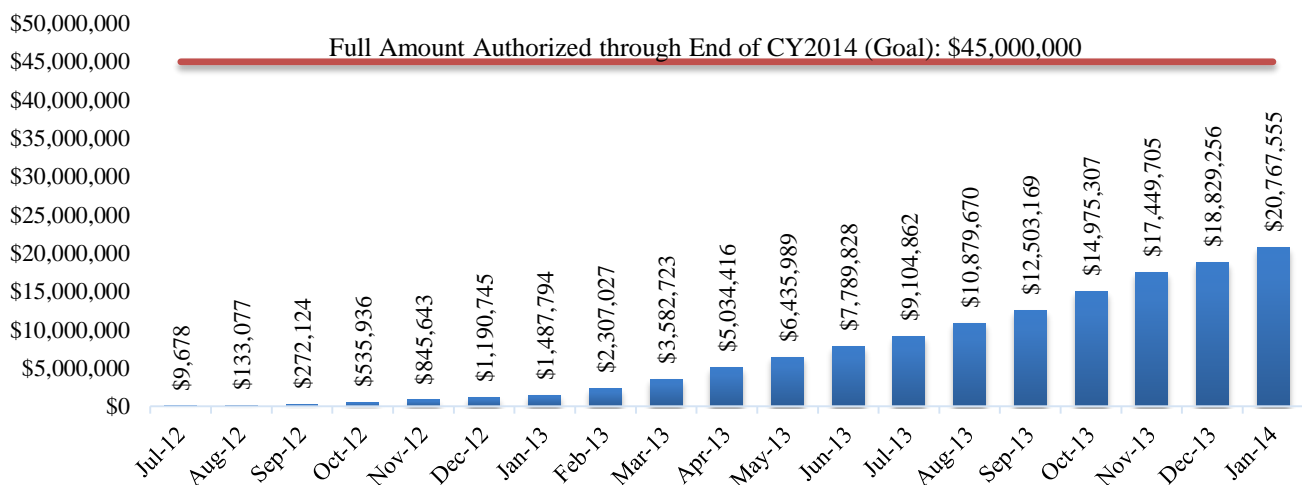
StateStat has been closely monitoring the progress of the LIEEP. The number of units weatherized rebounded in January to 261 up from 201 in December. After steep increases in cost per unit in the first half of FY2014, cost per unit appears to be settling at around \$7,000-\$8,000 per unit.

In the semi-annual report, DHCD reports they are on pace to expend all \$45 million of the program funds but identified maintaining the pace through 2014 as a challenge. DHCD has made significant progress in recent months increasing expenditures and units completed. It should be noted that in order to expend all \$45 million the program will have to average just over \$2.2 million in expenditures per month through the end of CY2014. To-date, only two months have exceeded \$2 million in expenditures, October and November 2013. Analysis of county utility allocations has revealed a total of just over \$2 million in funds have yet to be allocated across six county utilities. This amounts to eight percent of the unspent funds to-date. The six county utilities with unspent funds ranging from \$178,280 to \$647,455 include, Anne Arundel County BGE, Baltimore County BGE, Cecil Delmarva, Somerset Delmarva, Wicomico Delmarva, and Worcester Delmarva.

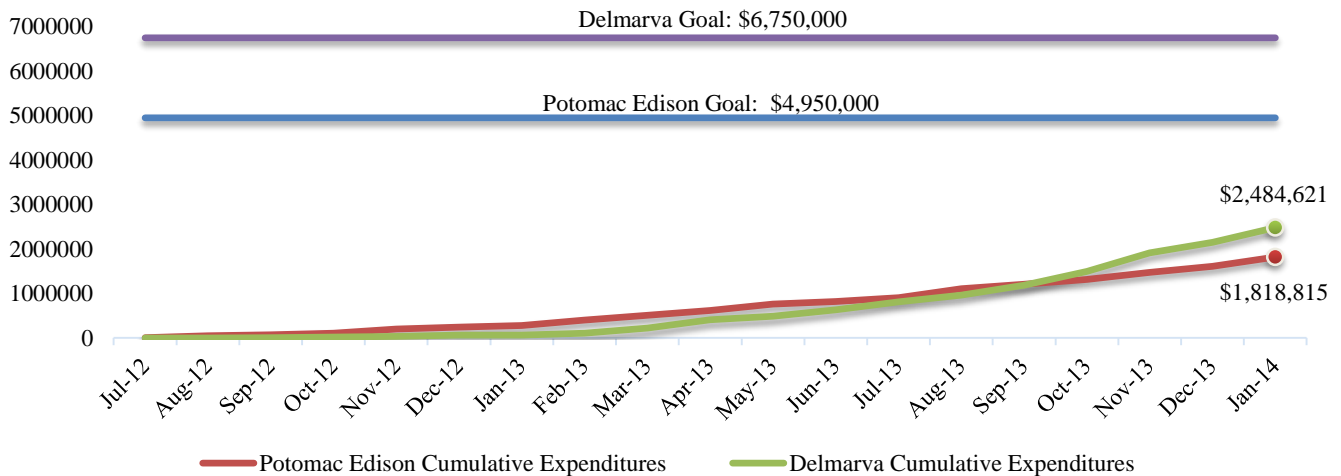
For the individual utilities participating in EmPower, two are significantly lagging in expenditures. Both Delmarva and Potomac Edison have only expended 37 percent of their EmPower funds as of January 2014. Though both utilities have increased their rate of spending in recent months they are still below pace to expend all funds allocated. If Delmarva maintains the pace of spending over the last four months they will fall short by \$700,000 and if Potomac Edison maintains their current pace they will fall short by \$1,445,549. In the event action is needed to increase the performance, funds can be moved around within the service territory to achieve better production. As of this meeting, no action is being considered for either of the utilities however DHCD continues to work with all utilities, including providing referrals, to get production up.

As of December 1, 2013, Prince George's County DHCD (PGDHCD) Weatherization Program was suspended due to staffing issues and poor performance. At the previous DHCD stat meeting, DHCD reported that PGDHCD has hired staff and has resumed EmPower Activities. DHCD is closely monitoring the performance of PGDHCD and is conducting full reviews after they complete their audits of completed work.

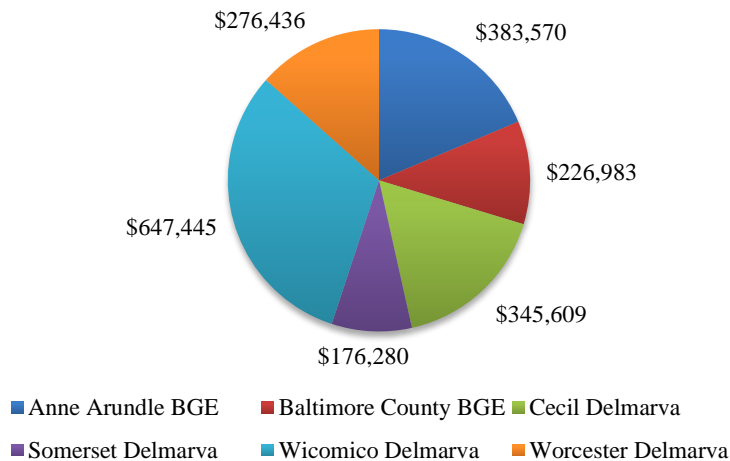
### EmPower LIEEP Weatherization Expenditures (Cumulative)



## EmPower Expenditures



## EmPower Unallocated Funds



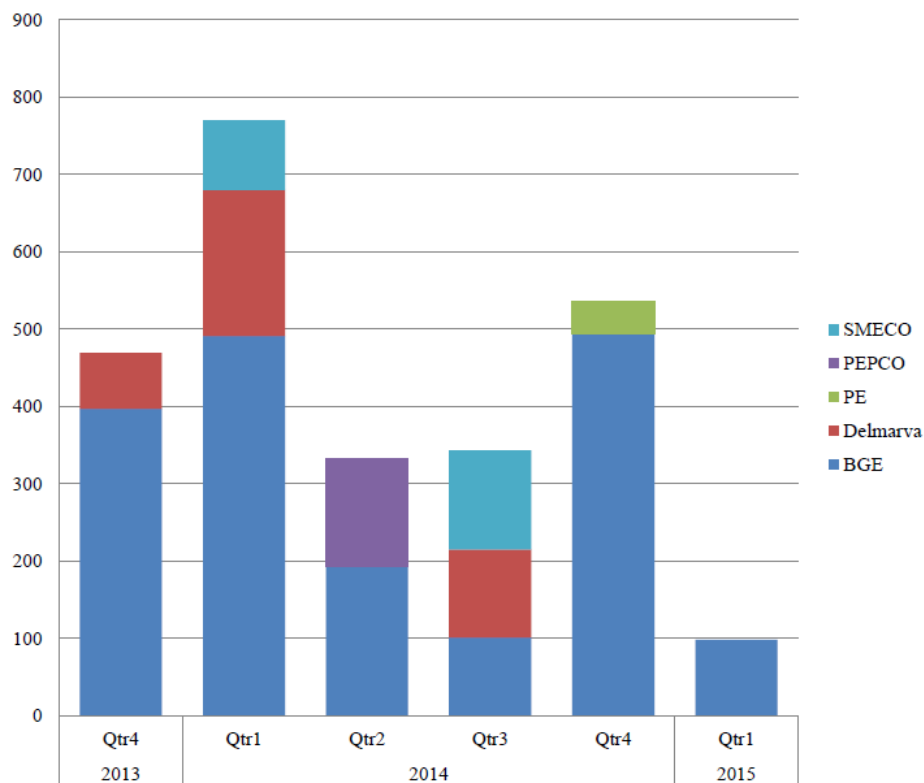
- LIEEP Multi-Family Progress Appears to Still Lag and Goals Still to Be Revised.** The Multifamily Energy Efficiency and Housing Affordability (MEEHA) Program promotes energy efficiency and affordability in the State's multifamily rental housing developments for low and moderate income households. The recent EmPower Semi-Annual Report indicated 1,326 units have been funded for energy efficiency upgrades. BGE is schedule to complete three projects in Q1CY2014. As of January 2014, 32 applications totaling 1,645 units, are pending settlement. At an EmPower stakeholder meeting in November, DHCD reported EmPower MEEHA projects in the pipeline by utility. Based on information from this meeting 2,170 units should have been closed by the end of CY2013. At this meeting DHCD reported over 450 units were anticipated to be completed in Q4CY2013 but the program fell well short of this mark and DHCD anticipated more than 750 additional units to be completed in Q1CY2014. The semi-annual report did not indicate any project delays despite the low end of year numbers for 2013. In the first reporting period for CY2014, DHCD reported no activity for MEEHA and the goal has not been revised. DHCD reported previously that goals for CY2014 will be revised in accordance with the Public Service



Commission and stakeholders to be more realistic. DHCD will begin reporting on the number of projects in the pipeline moving forward and will also be submitting revised projections for the program.

In the semi-annual report, DHCD recommended the inclusion of energy efficiency improvements in common areas. In 2012, the amount that could be spent on common areas was capped at 15 percent of total project costs. This initial cap underestimated the impact common areas have on building and unit efficiency. Expanding the common area improvements could increase estimated energy savings by 43 percent eKWh per building. DHCD has recommended to the Commission that the cap be lifted for common areas and is currently awaiting approval.

### MEEHA Projected Project Completion Schedule



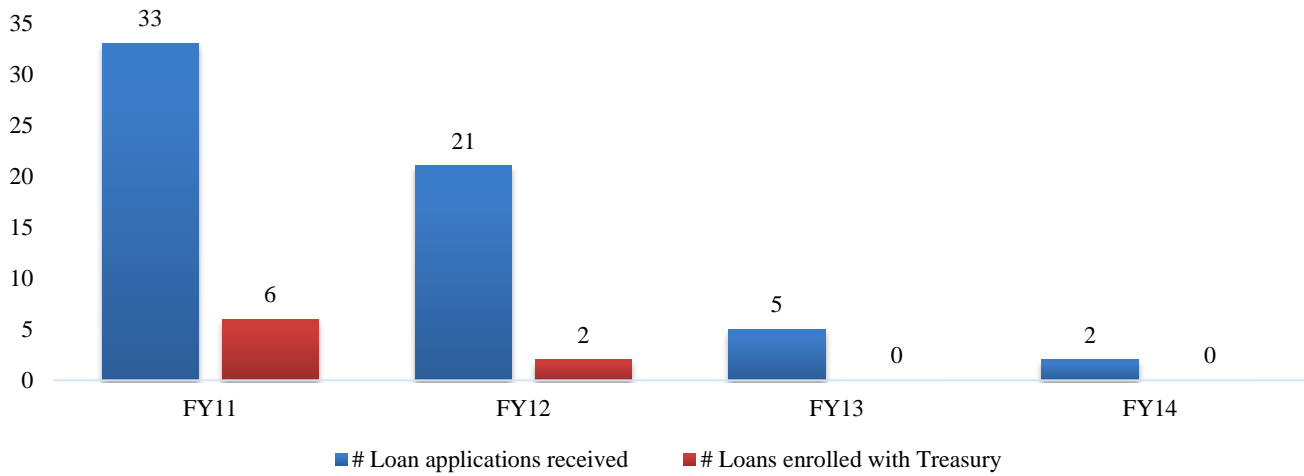
### Linked Deposit Program

- Treasury Nonresponsive in Implementing Recommendations, Revised Regulations Yet to be Published and Education and Awareness Efforts Uncertain.** Linked deposit programs are meant to stimulate growth and success of minority and small businesses by assisting them in obtaining loans at lower than market interest rates. The workgroup produced a report in January 2013 that provided recommendations for improving the LDP and increasing participation. DHCD reported on the status of the recommendations which are outlined in the table below. Only one of the six recommendations have been implemented fully. The status of the other five are as follows. One recommendation has made progress: recommendation five - changing the regulations for the loan amount have been drafted by DHCD and are planned to be published in late spring 2014. Three recommendations (one, three and four) require action by the Treasury and they have not responded to DHCD's communication attempts. It is unclear whether or not recommendation number seven is being implemented as intended. The recommendation called for expanded

education for borrowers and lenders, efforts that were to include DHCD, Treasury and DBED. DHCD reported that their agency promotes the program on an ongoing basis.

The LDP is on pace to post its worst performing year after changes to the program were made to improve it. In FY2013 and FYTD2014, only nine loan applications have been received and no loans enrolled compared to FY2012 with 21 applications received, and two loans enrolled and FY2011 with 33 applications and six loans enrolled. DHCD is in the process of determining next steps for the program.

## Linked Deposit Program Participation



## Status of Linked Deposit Program Recommendations

Recommendation	UPDATE
1. Reduce reporting requirements to no more than twice a year and preferably to once per year.	Treasury agreed to the change in Task Force deliberations however the change has not been made and <b>Treasury has not responded to inquiries.</b>
2. Modify the program so that the relationship between the reduced interest rate provided to the borrower and the minimum interest return required on Treasury's deposit does not produce a net loss to the lender.	<b>Change was approved</b> under Senate Bill 1072 in the 2013 legislative session.
3. Reduce the complexity of the application process for becoming an approved State depository institution.	<b>Treasury has not responded</b> to DHCD contacts
4. Treasury should consider integrating the Certificate of Deposit Account Registry system into its requirements for collateral.	The change will not take effect until Treasury issues its next Expression of Interest. <b>Treasury has not responded</b> to DHCD inquiries.
5. DHCD should update the LDP regulations to allow a borrower with an enrolled LDP loan to have up to \$1 million in a qualified loan "at any one time" rather than basing the \$1 million loan limit on an initial or subsequent total loan amount.	Regulations have been drafted and <b>will be submitted for publication in late spring.</b>
6. No Recommended Change for this item.	-
7. DHCD, Treasury and DBED expand opportunities for educating potential borrowers as well as lenders about the benefits of using the program.	<b>LDP is actively promoted by DHCD</b> on an ongoing basis through outreach opportunities.